

Hazel Park Memorial Library

Financial Report

June 30, 2003

Hazel Park Memorial Library

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Independent Auditor's Report

To the Hazel Park Memorial Library Board
City of Hazel Park, Michigan

We have audited the accompanying general purpose financial statements of Hazel Park Memorial Library as of June 30, 2003 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Hazel Park Memorial Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Hazel Park Memorial Library as of June 30, 2003 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

November 13, 2003

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Hazel Park Memorial Library

Balance Sheet Governmental Fund Type and Account Groups June 30, 2003

	Governmental		
	Fund Type	Account Groups	
	General	General Fixed	General Long-
	Fund	Assets	term Debt
Assets			
Cash and investments (Note 2)	\$ 122,815	\$ -	\$ -
Accounts receivable	274	-	-
Due from other governmental units	2,467	-	-
Capital assets (Note 3)	-	609,832	-
Amount to be provided for retirement of long-term debt	-	-	26,984
	<u>-</u>	<u>-</u>	<u>26,984</u>
Total assets	<u><u>\$ 125,556</u></u>	<u><u>\$ 609,832</u></u>	<u><u>\$ 26,984</u></u>
Liabilities and Fund Equity			
Liabilities			
Accounts payable	\$ 6,663	\$ -	\$ -
Other liabilities	24,713	-	-
Due to other governmental units	3,912	-	-
Long-term debt - Accumulated employee benefits	-	-	26,984
	<u>-</u>	<u>-</u>	<u>26,984</u>
Total liabilities	35,288	-	26,984
Fund Equity			
Investment in general fixed assets	-	609,832	-
Fund balance - Unreserved and undesignated	90,268	-	-
	<u>90,268</u>	<u>609,832</u>	<u>-</u>
Total fund equity	90,268	609,832	-
Total liabilities and fund equity	<u><u>\$ 125,556</u></u>	<u><u>\$ 609,832</u></u>	<u><u>\$ 26,984</u></u>

Hazel Park Memorial Library

Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual Governmental Fund Type - General Fund Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 408,429	\$ 407,062	\$ (1,367)
State grants	20,000	15,741	(4,259)
Interest	3,000	4,070	1,070
Other	43,500	50,012	6,512
Total revenue	474,929	476,885	1,956
Expenditures			
Salaries	225,943	225,557	386
Fringe benefits	68,795	70,433	(1,638)
Supplies	12,100	11,887	213
Professional services	35,600	34,339	1,261
Utilities	25,800	22,635	3,165
Insurance	15,200	14,443	757
Maintenance	5,906	4,802	1,104
Capital outlay	116,100	116,719	(619)
Books, periodicals, magazines, etc.	65,300	64,659	641
Other	22,485	21,807	678
Total expenditures	593,229	587,281	5,948
Excess of Expenditures Over Revenue	(118,300)	(110,396)	\$ 7,904
Fund Balance - July 1, 2002	200,664	200,664	
Fund Balance - June 30, 2003	\$ 82,364	\$ 90,268	

Hazel Park Memorial Library

Notes to Financial Statements June 30, 2003

Note I - Nature of Organization and Summary of Significant Accounting Policies

Hazel Park Memorial Library (the "Library") is located in the City of Hazel Park, Michigan. The Library is primarily funded through a tax levy, fines, and fees. Revenue is used to operate and staff the Library.

The accounting policies of the Library conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library is governed by a six-member elected board. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on these criteria, there are no component units of the Library that are to be included in the reporting entity.

Fund Accounting

The accounts of Hazel Park Memorial Library include a General Fund, a General Fixed Assets Account Group, and a General Long-term Debt Account Group, each of which is considered a separate accounting entity.

General Fund - The General Fund contains the records of the financial activities of Hazel Park Memorial Library. General Fund activities are financed by property taxes and other revenue.

Fixed Assets - Fixed assets are capitalized in the General Fixed Assets Account Group, rather than in the General Fund. Such assets are recorded as expenditures in the General Fund at the time of purchase. No depreciation has been provided on general fixed assets.

Long-term Debt - Long-term liabilities expected to be financed from the governmental fund are accounted for in the General Long-term Debt Account Group, not in the General Fund.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Hazel Park Memorial Library

Notes to Financial Statements June 30, 2003

Note I - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The General Fund follows the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31. The related property taxes are billed on July 1 of the following year and become a lien on the following December 1.

- b. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenses.
- d. Vacation pay is accrued when earned and sick pay is accrued when vested (or likely to vest). Under the Library's policy, employees earn sick and vacation benefits based on time of service. The noncurrent portion of the accumulated sick and vacation pay obligation is reflected in the General Long-term Debt Account Group in the amount of \$26,984.

Budget Information - The annual budget is prepared and adopted by the Library Board; subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Budget variances of the Library are disclosed on the statement of revenue, expenditures, and changes in fund balance - budget and actual - governmental fund type - General Fund.

Hazel Park Memorial Library

Notes to Financial Statements June 30, 2003

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Cash and Investments

Deposits - Hazel Park Memorial Library's deposits are administered by the City of Hazel Park and are held in separate accounts in the name of the City of Hazel Park. The deposits are reflected in the accounts of the bank at \$122,815 (without recognition of checks written but not cleared). The federal depository insurance coverage pertains to all the deposits of the City of Hazel Park; hence, the specific coverage pertaining to Hazel Park Memorial Library's deposits, if any, is not determinable.

The City of Hazel Park (the "City") performs the investment function on behalf of the Library. Michigan law permits investments in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and pools that are composed of the above investment vehicles. All investments during the year consisted of bank investment pool funds and are reported at fair value. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by the City; however, investment pool funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes all investments comply with the investment authority noted above. There were no investments held on June 30, 2003.

Hazel Park Memorial Library

Notes to Financial Statements June 30, 2003

Note 3 - Capital Assets

A summary of general fixed assets at June 30, 2003 is as follows:

Furniture and equipment	\$ 24,489
Books, periodicals, recordings, and films*	70,851
Building improvements	<u>514,492</u>
Total capital assets	<u>\$ 609,832</u>

* Books, periodicals, recordings, and films are recorded at one dollar per item. The replacement value, based on trade publications' average costs adjusted for discounts and processing costs applicable to Library purchases, was approximately \$1,918,645.

The Library building is owned by the City of Hazel Park and is not included in the Library's General Fixed Assets Account Group.

Note 4 - Defined Benefit Pension Plan

Plan Description - The Library contributes to the City of Hazel Park's Employees Retirement System, a cost-sharing, multiple-employer defined benefit pension plan administered by the City of Hazel Park. The plan, which covers all employees of the City and Library, provides retirement, disability, and death benefits to plan members and their beneficiaries. The City of Hazel Park's Employees Retirement System is included in the City of Hazel Park's financial statements. That report may be obtained from the City offices at 111 East Nine Mile Road, Hazel Park, Michigan.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 5 percent of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates. The Library made a contribution to the plan for the year ended June 30, 2003 of \$21,382.

Note 5 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for property loss, torts, errors and omissions, and employee injuries (workers' compensation claims) through the Michigan Municipal League. The Library participates in the City of Hazel Park's self-insurance program for medical benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Hazel Park Memorial Library

Notes to Financial Statements June 30, 2003

Note 5 - Risk Management (Continued)

The Library pays premiums to the City of Hazel Park's medical benefits self-insurance program. The City uses premiums collected from the Library and from City funds to pay for health care benefits for Library and City employees. Although premiums are paid to the City's self-insurance program and those premiums are used to pay claims, the ultimate liability for those claims remains with the Library.

Note 6 - Postemployment Benefits

The Library provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, there is one retiree eligible. The Library includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; there were \$3,912 of expenditures during the year.

Note 7 - Upcoming Reporting Change

For the year beginning July 1, 2003, the Hazel Park Memorial Library plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.